

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Benzonia Township</b>	County <b>Benzie</b>
Audit Date <b>3/31/06</b>	Opinion Date <b>6/9/06</b>	Date Accountant Report Submitted to State: <b>July 5, 2006</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

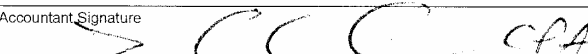
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter and Bishop, P.C.</b>			
Street Address <b>134 W. Harris Street</b>		City <b>Cadillac</b>	State <b>MI</b>
		ZIP <b>49601</b>	
Accountant Signature 		Date <b>7/5/06</b>	

**BENZONIA TOWNSHIP, BENZIE COUNTY**

**BENZONIA, MICHIGAN**

**MARCH 31, 2006**

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

MARCH 31, 2006

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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

June 9, 2006

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Benzonia Township  
Benzie County  
Benzonia, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benzonia Township, Benzie County, Benzonia, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benzonia Township, Benzie County, Benzonia, Michigan, as of March 31, 2006, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 20 and 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benzonia Township, Benzie County, Benzonia, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Benzonia Township, a general law township located in Benzie County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Benzonia Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,611,593. Of this amount, \$1,021,427 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,264,161 an increase of \$154,125 in comparison with the prior year.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

### **Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

### **Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$1,611,593 at March 31, 2006, meaning the Township's assets

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

**Benzonia Township**  
**Net Assets as of March 31,**

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current Assets	\$ 1,266,922	\$ 110,876
Non Current Assets		
Capital Assets	1,139,988	1,155,045
Less: Accumulated Depreciation	793,042	768,516
Total Non Current Assets	346,946	386,529
<b>Total Assets</b>	<u>\$ 1,613,868</u>	<u>\$ 497,405</u>
<b>Liabilities</b>		
Accounts Payable	\$ 2,275	\$ 0
<b>Net Assets</b>		
Invested in Capital Assets	346,946	386,529
Restricted for Specific Purposes	243,220	231,545
Unrestricted	1,021,427	879,329
<b>Total Net Assets</b>	<u>\$ 1,611,593</u>	<u>\$ 1,497,403</u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township has \$1,021,427 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.



BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

The total net assets of the Township increased by \$114,190 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Benzonia Township  
Change in Net Assets  
for the Fiscal Year Ended March 31,

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
<b><u>Revenues</u></b>		
<b>Program Revenues</b>		
Charges for Services	\$ 56,009	\$ 50,827
Operating Grants and Contributions	7,708	1,500
Capital Grants and Contributions	4,850	0
<b>General Revenues</b>		
Taxes	281,123	266,121
State Grants	133,807	137,035
Interest Earnings	34,529	14,625
Other	4,323	8,864
<b>Total Revenues</b>	<u>\$ 522,349</u>	<u>\$ 478,972</u>
<b><u>Expenses</u></b>		
Legislative	\$ 47,325	\$ 45,562
General Government	160,382	150,851
Public Safety	111,551	150,002
Public Works	2,864	2,864
Community and Economic Development	200	0
Recreation and Culture	24,120	21,067
Other Functions	61,717	59,406
<b>Total Expenses</b>	<u>\$ 408,159</u>	<u>\$ 429,752</u>
Change in Net Assets	114,190	49,220
NET ASSETS - Beginning of Year	<u>1,497,403</u>	<u>1,448,183</u>
NET ASSETS - End of Year	<u><u>\$ 1,611,593</u></u>	<u><u>\$ 1,497,403</u></u>

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

**Governmental Activities**

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$114,190 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Benzonia Township comes from property taxes. The Township levied a millage for fire protection, in addition to the operating millages, this fiscal year. The Township levied .8507 mills for operating purposes, and .7038 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by general governmental expenses that total \$160,382. Public safety represented the next largest expense at \$111,551 followed by other functions at \$61,717. Depreciation expense added \$25,808.

**Financial Analysis of the Government's Funds**

***Governmental Activities*** The focus of Benzonia Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Benzonia Township's governmental funds reported combined ending fund balances of \$1,264,161. Of this total amount \$1,020,941 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

**General Fund** – The General Fund increased its fund balance by \$9,059 which brings the fund balance to \$297,183. The General Fund's fund balance is unreserved. All General Fund functions ended the year with expenditures below budgeted amounts. Tax revenues increased by \$10,430.

**Fire Fund** – The Fire Fund increased its fund balance by \$11,675 which brings the fund balance to \$243,220. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2005 tax roll. This resulted in \$189,817 in tax related revenues during the current fiscal year.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$346,946 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 (for purchases after March 31, 2004) and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Benzonia Township**  
**Capital Assets as of March 31,**

	<b>Governmental Activities</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
Land	\$ 67,000	\$ 72,000
Buildings	295,898	295,898
Land Improvements	28,832	38,889
Equipment, Furniture and Fixtures	748,258	748,258
	<b>\$ 1,139,988</b>	<b>\$ 1,155,045</b>
Less Accumulated Depreciation	793,042	768,516
<b>Net Capital Assets</b>	<b>\$ 346,946</b>	<b>\$ 386,529</b>

Major capital asset events during the current fiscal year included the following:

- ♦ Sold a partial interest in Hoag property for \$13,075.

**Long-Term Debt**

Benzonia Township has no obligation for any long-term debt as of March 31, 2006.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Benzonia Township at P.O. Box 224, Benzonia, Michigan 49616-0224.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 954,488
Receivables	
Taxes	21,306
External Parties (Fiduciary Fund)	258,894
Due from Other Governments	<u>32,234</u>
Total Current Assets	<u>1,266,922</u>
 <u>CAPITAL ASSETS</u>	
Land	67,000
Buildings	295,898
Land Improvements	28,832
Equipment, Furniture and Fixtures	<u>748,258</u>
	1,139,988
Less Accumulated Depreciation	<u>793,042</u>
Net Capital Assets	<u>346,946</u>
 TOTAL ASSETS	 <u>1,613,868</u>
 <u>LIABILITIES</u>	
Accounts Payable	<u>2275</u>
 <u>EQUITY</u>	
Net Assets:	
Invested in Capital Assets	346,946
Restricted for Fire Protection	243,220
Unrestricted	<u>1,021,427</u>
 TOTAL NET ASSETS	 <u>\$ 1,611,593</u>

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006

		PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES					
Legislative	\$ 47,325	\$ 0	\$ 0	\$ 0	\$ (47,325)
General Government	160,382	2,500	0	4,850	(153,032)
Public Safety	111,551	53,339	0	0	(58,212)
Public Works	2,864	0	5,063	0	2,199
Community and Economic Development	200	170	0	0	(30)
Recreation and Culture	24,120	0	2,645	0	(21,475)
Other Functions	61,717	0	0	0	(61,717)
Total	\$ 408,159	\$ 56,009	\$ 7,708	\$ 4,850	(339,592)

GENERAL REVENUES

Taxes	281,123
State Grants	133,807
Interest Earnings	34,529
Other	4,323
Total General Revenues	<u>453,782</u>
Change in Net Assets	114,190
NET ASSETS - Beginning of Year	<u>1,497,403</u>
NET ASSETS - End of Year	<u>\$ 1,611,593</u>

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY

BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2006

	GENERAL FUND	FIRE FUND	FIRE IMPROVEMENT FUND	ROAD IMPROVEMENT FUND	PARKS IMPROVEMENT FUND	TOTALS
<u>ASSETS</u>						
Cash	\$ 97,326	\$ 133,404	\$ 454,118	\$ 263,483	\$ 6,157	\$ 954,488
Taxes Receivable	11,660	9,646	0	0	0	21,306
Due from Other Funds	158,504	100,390	0	0	0	258,894
Due from Other Governments	32,234	0	0	0	0	32,234
TOTAL ASSETS	<u>\$ 299,724</u>	<u>\$ 243,440</u>	<u>\$ 454,118</u>	<u>\$ 263,483</u>	<u>\$ 6,157</u>	<u>\$ 1,266,922</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 2,275	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,275
Deferred Revenue	266	220	0	0	0	486
Total Liabilities	<u>2,541</u>	<u>220</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,761</u>
<u>FUND BALANCE</u>						
Reserved for:						
Fire Protection	0	243,220	0	0	0	243,220
Unreserved						
Designated for:						
Fire Improvements	0	0	454,118	0	0	454,118
Road Improvements	0	0	0	263,483	0	263,483
Park Improvements	0	0	0	0	6,157	6,157
Undesignated	297,183	0	0	0	0	297,183
Total Fund Balance	<u>297,183</u>	<u>243,220</u>	<u>454,118</u>	<u>263,483</u>	<u>6,157</u>	<u>1,264,161</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 299,724</u>	<u>\$ 243,440</u>	<u>\$ 454,118</u>	<u>\$ 263,483</u>	<u>\$ 6,157</u>	<u>\$ 1,266,922</u>

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2006

Total Fund Balance for Governmental Funds	\$ 1,264,161
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Capital Assets	1,139,988	
Accumulated Depreciation	<u>(793,042)</u>	346,946

Other long-term assets are not available to pay for current period  
expenditures and therefore are not reported in the funds

Personal Property Taxes Receivable	<u>486</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,611,593</u></u>
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The accompanying notes are an integral part of the financial statements.



BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	FIRE FUND	FIRE IMPROVEMENT FUND	ROAD IMPROVEMENT FUND	PARKS IMPROVEMENT FUND	TOTALS
<u>REVENUES</u>						
Taxes	\$ 171,658	\$ 109,817	\$ 0	\$ 0	\$ 0	\$ 281,475
Licenses and Permits	1,443	0	0	0	0	1,443
State Grants	143,720	0	0	0	0	143,720
Charges for Services	2,500	52,066	0	0	0	54,566
Interest and Rents	6,137	6,197	14,252	7,923	20	34,529
Other Revenues	15,203	2,195	0	0	2,645	20,043
Total Revenues	340,661	170,275	14,252	7,923	2,665	535,776
<u>EXPENDITURES</u>						
Legislative	47,325	0	0	0	0	47,325
General Government	150,464	0	0	0	0	150,464
Public Safety	0	98,600	0	0	0	98,600
Public Works	2,864	0	0	0	0	2,864
Community and Economic Development	200	0	0	0	0	200
Recreation and Culture	19,032	0	0	0	1,449	20,481
Other Functions	61,717	0	0	0	0	61,717
Total Expenditures	281,602	98,600	0	0	1,449	381,651
Excess (Deficiency) of Revenues Over Expenditures	59,059	71,675	14,252	7,923	1,216	154,125

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	FIRE FUND	FIRE IMPROVEMENT FUND	ROAD IMPROVEMENT FUND	PARKS IMPROVEMENT FUND	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In (Out)	(50,000)	(60,000)	60,000	50,000	0	0
Net Change in Fund Balance	9,059	11,675	74,252	57,923	1,216	154,125
<u>FUND BALANCE -</u>						
Beginning of Year	288,124	231,545	379,866	205,560	4,941	1,110,036
<u>FUND BALANCE -</u>						
End of Year	\$ 297,183	\$ 243,220	\$ 454,118	\$ 263,483	\$ 6,157	\$ 1,264,161

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 154,125
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(25,808)
----------------------	----------

In the statement of activities, only the gain or loss on the sale of fixed assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balance by the cost of capital assets sold net of accumulated depreciation.

Governmental Funds - Loss on sale of capital assets

Subtract gross sale proceeds	(13,075)
------------------------------	----------

Subtract loss on sale of capital assets	(700)
---	-------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in personal property tax revenue deferred using the modified accrual method	<u>(352)</u>
--	--------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 114,190</u></u>
---	--------------------------

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

MARCH 31, 2006

	<u>AGENCY FUND</u>	<u>TAX COLLECTION FUND</u>
<u>ASSETS</u>		
Cash	\$      11,785	\$      259,846
	<hr/>	<hr/>
<u>LIABILITIES</u>		
Due to Other Funds	\$              0	\$      258,894
Due to Other Governments	11,785	952
	<hr/>	<hr/>
TOTAL LIABILITIES	\$      11,785	\$      259,846
	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Benzonia Township is a general law township located in Benzie County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Benzonia Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

The *Fire Improvement Fund* accounts for revenue sources that are designated to expenditures for fire improvements.

The *Road Improvement Fund* accounts for revenue sources that designated to expenditures for road improvements

The *Parks Improvement Fund* accounts for revenue sources that are designated to expenditure for park improvements.

Additionally Benzonia Township reports the following fund types:

The *special revenue funds* account for revenue sources and expenditures for specific purposes (not including expendable trusts or major capital projects).

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, Liabilities and Equity**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

- (I) The Township Board has authorized the Township Treasurer to invest in the following:
- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
  - (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution with a location within the State of Michigan.
  - (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
  - (d) Repurchase agreements consisting of instruments listed in subdivision (a).
  - (e) Bankers' acceptances of United States banks.
  - (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
  - (g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share. (Recommendation--the above limitation is recommended, however, the Treasurer may also include mutual funds whose net asset value may fluctuate on a periodic basis by so stating in this area).
  - (h) Investment pools organized under the Local Government Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
  - (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education



BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 15. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of the Benzonia Township totaled \$156,369,510, on which ad valorem taxes levied consisted of .8507 mills for the Benzonia Township operating purposes, and .7038 mills for Benzonia Township fire protection. These levies raised approximately \$133,007 for operating purposes and \$110,037 for fire protection.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building and Land Improvements	20
Equipment, Furniture and Fixtures	5-10

Benzonia Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

a result, the Township began capitalizing and depreciating infrastructure April 1, 2004, in accordance with the Township's capitalization policy.

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 9, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Funds with Expenditures in Excess of Appropriations were as follows:**

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
Parks Improvement Fund			
Parks and Recreation	\$ 1,000	\$	1,449

These overages were funded by greater than anticipated revenues and available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are all on deposit with Central State Bank in Benzonia, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$723,377 of the government's bank balance of \$1,221,035 was exposed to custodial credit risk because it was uninsured and uncollateralized.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government's individual major funds are presented in the statement of net assets.

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Defferen Revenue	
	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 266	\$ 0
Delinquent property taxes receivable (Fire Fund)	220	0
	<u>\$ 486</u>	<u>\$ 0</u>

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 67,000	\$ 0	\$ 0	\$ 67,000
Capital assets, being depreciated				
Buildings	295,898	0	0	295,898
Land Improvements	43,889	0	15,057	28,832
Equipment, Furniture and Fixtures	748,258	0	0	748,258
Total capital assets, being depreciated	1,088,045	0	15,057	1,072,988
Less accumulated depreciation for:				
Buildings	104,087	5,918	0	110,005
Land Improvements	16,171	1,567	1,282	16,456
Equipment, Furniture and Fixtures	648,258	18,323	0	666,581
Total accumulated depreciation	768,516	25,808	1,282	793,042
Total capital assets, being depreciated, net	319,529	(25,808)	13,775	279,946
Governmental activities capital assets, net	\$ 386,529	\$ (25,808)	\$ 13,775	\$ 346,946

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 9,218
Public Safety	12,951
Recreation and Culture	3,639
Total depreciation expenses - governmental activities	<u>\$ 25,808</u>

Construction Commitments:

None

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2006, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 158,504	\$ 0
Special Revenue Funds		
Fire Fund	100,390	0
Fiduciary Funds		
Current Tax Collection Fund	0	258,894
	<u>\$ 258,894</u>	<u>\$ 258,894</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of March 31, 2006

	<u>IN</u>	<u>TRANSFERS OUT</u>
<u>Primary Government</u>		
General Fund	\$ 0	\$ 50,000
Fire Fund	0	60,000
Fire Improvement Fund	60,000	0
Road Improvement Fund	50,000	0
	<u>\$ 110,000</u>	<u>\$ 110,000</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Long-Term Debt**

At March 31, 2006, the Township was not obligated for any long-term debt.

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. In addition, certain portions of unreserved fund balances have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

FUND BALANCE/NET ASSETS

Reserved		
Special Revenue Funds		
Fire Fund		
Fire Protection		\$ 243,220
Unreserved Designated for:		
Special Revenue Funds		
Fire Improvement Fund		
Fire Improvements	454,118	
Road Improvement Fund		
Road Improvements	263,483	
Parks Improvement Fund		
Parks Improvements	6,157	723,758
		<hr/>
TOTAL FUND BALANCE		
RESERVES AND DESIGNATIONS		\$ <u>966,978</u>

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Related Party Transaction**

The Township is insured through the Michigan Township Participating Plan. The Township Clerk is a Director and Officer of this organization.

**C. Pension Plan**

The Township participates in a defined contribution pension plan. The plan covers the Township's firefighters and elected officials with contribution based on their years of service. The Township's 2005-2006 contribution was \$17,400.

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b><u>REVENUES</u></b>						
Taxes	\$ 158,400	\$ 158,400	\$ 171,658	\$ 101,500	\$ 101,500	\$ 109,817
Licenses and Permits	2,550	2,550	1,443	0	0	0
State Grants	133,500	133,500	143,720	0	0	0
Charges for Services	14,550	14,550	2,500	52,000	52,000	52,066
Interest and Rents	7,200	7,200	6,137	2,000	2,000	6,197
Other Revenues	35,500	35,500	15,203	0	0	2,195
Total Revenues	351,700	351,700	340,661	155,500	155,500	170,275
<b><u>EXPENDITURES</u></b>						
Legislative						
Township Board	53,500	53,500	47,325	0	0	0
General Government						
Supervisor	17,100	17,100	16,343	0	0	0
Election	17,300	17,300	9,650	0	0	0
Assessor	34,975	34,975	32,490	0	0	0
Clerk	33,250	33,250	31,655	0	0	0
Board of Review	3,800	3,800	1,555	0	0	0
Treasurer	23,700	23,700	19,832	0	0	0
Building and Grounds	10,850	10,850	10,055	0	0	0
Cemetery	40,100	40,100	28,884	0	0	0
Public Safety						
Fire Protection	0	0	0	193,400	193,400	98,600
Fire Improvement	0	0	0	0	0	0
Public Works						
Highways, Roads and Bridges	5,000	5,000	2,864	0	0	0
Community and Economic Development						
Zoning	1,000	1,000	200	0	0	0
Recreation and Culture						
Parks and Recreation	23,000	23,000	13,032	0	0	0
Library	4,000	4,000	4,000	0	0	0
Historical Society	2,000	2,000	2,000	0	0	0
Other Functions						
Insurance and Bonds	10,000	10,000	8,675	0	0	0
Employee Benefits	57,500	57,500	53,042	0	0	0
Contingency	65,625	65,625	0	35,100	35,100	0
Total Expenditures	402,700	402,700	281,602	228,500	228,500	98,600
Excess (Deficiency) of Revenues Over Expenditures	(51,000)	(51,000)	59,059	(73,000)	(73,000)	71,675
<b><u>OTHER FINANCING SOURCES (USES)</u></b>						
Transfers In (Out)	(50,000)	(50,000)	(50,000)	(60,000)	(60,000)	(60,000)
Net Change in Fund Balance	(101,000)	(101,000)	9,059	(133,000)	(133,000)	11,675
<b><u>FUND BALANCE</u></b> - Beginning of Year	101,000	101,000	288,124	133,000	133,000	231,545
<b><u>FUND BALANCE</u></b> - End of Year	\$ 0	\$ 0	\$ 297,183	\$ 0	\$ 0	\$ 243,220



FIRE IMPROVEMENT FUND			ROAD IMPROVEMENT FUND			PARKS IMPROVEMENT FUND		
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
8,000	8,000	14,252	4,500	4,500	7,923	25	25	20
0	0	0	0	0	0	2,000	2,000	2,645
8,000	8,000	14,252	4,500	4,500	7,923	2,025	2,025	2,665
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
448,000	448,000	0	260,500	260,500	0	5,975	5,975	0
448,000	448,000	0	260,500	260,500	0	6,975	6,975	1,449
(440,000)	(440,000)	14,252	(256,000)	(256,000)	7,923	(4,950)	(4,950)	1,216
60,000	60,000	60,000	50,000	50,000	50,000	0	0	0
(380,000)	(380,000)	74,252	(206,000)	(206,000)	57,923	(4,950)	(4,950)	1,216
380,000	380,000	379,866	206,000	206,000	205,560	4,950	4,950	4,941
\$ 0	\$ 0	\$ 454,118	\$ 0	\$ 0	\$ 263,483	\$ 0	\$ 0	\$ 6,157

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
MARCH 31, 2006

	BALANCE				BALANCE	
	4/1/2005	ADDITIONS	DEDUCTIONS		3/31/2006	
<u>ASSETS</u>						
Cash	\$ 5,772	\$ 56,636	\$ 50,623	\$	11,785	
<u>LIABILITIES</u>						
Due to Other Organizations and Individuals	\$ 0	\$ 5,300	\$ 5,300	\$	0	
Due to Other Governments	5,772	51,336	45,323		11,785	
TOTAL LIABILITIES	\$ 5,772	\$ 56,636	\$ 50,623	\$	11,785	

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
MARCH 31, 2006

	BALANCE			BALANCE
	4/1/2005	ADDITIONS	DEDUCTIONS	3/31/2006
<u>ASSETS</u>				
Cash in Bank	\$ 249,922	\$ 3,331,801	\$ 3,321,877	\$ 259,846
<u>LIABILITIES</u>				
Due to Other Funds	\$ 249,922	\$ 261,562	\$ 252,590	\$ 258,894
Due to Other Governments	0	3,087,852	3,086,900	952
Due to Other Organizations and Individuals	0	2,386	2,386	0
TOTAL LIABILITIES	\$ 249,922	\$ 3,351,800	\$ 3,341,876	\$ 259,846

BENZONIA TOWNSHIP, BENZIE COUNTY  
BENZONIA, MICHIGAN

STATEMENT OF 2005 WINTER TAX ROLL  
MARCH 31, 2006

TAXES ASSESSED

County	\$	974,234	
Township			
Operating		133,007	
Fire		110,037	
School			
Benzie Central Schools		1,922,260	
Intermediate School			
Traverse Bay Area Intermediate		<u>462,623</u>	\$ 3,602,161

TAXES COLLECTED

County		887,838	
Township			
Operating		121,347	
Fire		100,391	
School			
Benzie Central Schools		1,760,298	
Intermediate School			
Traverse Bay Area Intermediate		<u>422,102</u>	<u>3,291,976</u>

TAXES RETURNED DELINQUENT

County		86,396	
Township			
Operating		11,660	
Fire		9,646	
School			
Benzie Central Schools		161,962	
Intermediate School			
Traverse Bay Area Intermediate		<u>40,521</u>	<u>\$ 310,185</u>

# *Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

June 9, 2006

## LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Benzonia Township  
Benzie County  
Benzonia, Michigan

During the course of our audit of the financial statements of Benzonia Township for the year ended March 31, 2006, we noted the following items:

### Recording Interest Income

While testing bank reconciliations at year end, it was determined that not all interest income was recorded during the year. The amounts in question related to February and March and were corrected in April. In the future, we recommend recording all interest each month before closing the books for the month.

### Michigan Unemployment

As noted last year, the Township is paying Michigan unemployment incorrectly. We have also provided the township with information relating to what employees should be reported for unemployment purposes.

### Condition of Accounting Records

The records were found to be in good condition, and we appreciate the assistance the township provided us in completing the annual audit.

### Budgeting

Public Act 621 states that the budget document that the Township adopt include the following financial information.

The actual results from the prior year

An estimate of the current year results

The proposed budget for the upcoming year

Amounts for contingencies, if appropriate

The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted receipts and disbursements.

Tax Collection Fund Balance

A balance remained in the Tax Collection Fund at March 31, 2006, which was owed to the Township General Fund and Fire Fund. We recommend that the Township disburse each year all remaining funds in the Tax Collection Fund by March 31, except a small residual amount to maintain a minimum balance in order to keep the bank accounts open.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

June 9, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Benzonia Township  
Benzie County  
Benzonia, Michigan

In planning and performing our audit of the financial statements of Benzonia Township, Benzie County, Benzonia, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*